



Risk assessment launched for commercial portfolios

A risk assessment for lenders and investors who want a better understanding of their commercial mortgage portfolios has been launched by Crown Mortgage Management. The service has been successfully trialed with a leading regional building society, the Cambridge Building Society. Crown uses its extensive experience in managing commercial mortgages to deliver a tailored risk management solution to suit each lender's existing risk management processes.

Julien Holmes, managing director, Crown said: "Opportunities in the commercial mortgage lending sector have attracted lenders whose core business is in residential mortgage lending. The risk profile of commercial mortgages and the variety of means for mitigating that risk are not always well understood. The FSA's focus on risk management puts the onus on lenders to have a good understanding of their portfolios, the risk within those portfolios and how best to mitigate and manage the risk both before and after problems arise.

"Use of risk management processes at the underwriting stage, during loan administration and when delinquencies arise help lenders mitigate the risks they take on and can substantially reduce the risk of loss. Commercial mortgage arrears require specialised management, different from residential mortgage loans and if used effectively, the variety of tools available to a commercial mortgage lender can make a significant financial difference."

Cliff Verrill of Cambridge Building Society, said: "Despite never having experienced repossessions in our commercial portfolio, we were keen to understand the wider potential risks to ensure they are managed in the most appropriate way."